Distr.
GENERAL

IDB.21/SR.1
10 August 1999

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-first session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 23 June 1999, at 3 p.m.

Temporary President: Mr. PITTALUGA FONSECA (Uruguay)
President: Mr. REGUIEG (Algeria)

CONTENTS

Agenda item		*Paragraphs*
-	Opening of the session	1 - 2
1	Election of officers	3 - 6
2	Adoption of the agenda	7 - 8
-	Statement by the Director-General	9 - 19
-	Presentations	20 - 21
-	Organization of work	22 - 23
3	Annual report of the Director-General for 1998 on the activities of the Organization	24 - 74
4	Report of the Programme and Budget Committee	
	(a) Interim financial performance report and programme performance report for the biennium 1998-1999	
	(b) Programme and budgets, 2000-2001	

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V.99-87194 (E) [illegible]

Distr.: 18 August 1999

CONTENTS (*continued*)

Agenda item *Paragraphs*

(c) Medium-term programme framework, 2000-2003)
)
(d) Scale of assessments for apportionment of the regular budget expenses)
)
(e) Working Capital Fund for the biennium 2000-2001)
)
(f) Industrial Development Fund and other voluntary contributions)
)
(g) Financial situation of UNIDO)
)
(h) Cost-sharing issues with VIC-based organizations)
)
(i) Proposals for the appointment of an External Auditor)
)
(j) Implications of the euro for UNIDO)
)
5 Programmatic review, including system-wide issues)
)
6 Financing of the integrated technical cooperation programmes in developing countries)

The meeting was called to order at 3.15 p.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the twenty-first session of the Industrial Development Board.

2. He thanked the members of the Board for their support during his term of office and commended the Secretariat for its excellent work. In particular, the Director-General had performed outstanding service in the short period since his appointment and laid the foundations for a successful future for the Organization. The Board had weighty matters to consider, matters which were vital to the future work of UNIDO. He hoped that the Board would be able to approve the draft decisions that had been prepared.

ELECTION OF OFFICERS

3. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. M. Reguieg (Algeria) for the post of President; Mr. R. Nazaraharı (Islamic Republic of Iran), Mr. Y. Yakıs (Turkey) and Mr. A. Fabijanski (Poland) for the posts of Vice-President; and Ms. P. Klein Ballesteros (Colombia) for the post of Rapporteur.

4. *The candidates were elected by acclamation.*

5. *The President took the Chair.*

6. **The PRESIDENT** thanked the outgoing President of the Board for the work he had so ably accomplished during his term of office. In less than two years since the adoption of the Business Plan on the Future Role and Functions of UNIDO, major reforms had taken place, proving that the Organization could not only survive, but could also evolve and play a significant role in attaining the goals set by Member States. While that progress was gratifying, the fact remained that the Organization's capacity to meet the challenges of the twenty-first century would largely depend on availability of resources. Bearing in mind that UNIDO's difficult situation was due primarily to the substantial budget cuts made during previous bienniums, the Board would naturally focus its deliberations on mobilization of funds. It was therefore regrettable that the Programme and Budget Committee had not been able, at its last session, to take a decision on the budget for the biennium 2000-2001. He hoped that, with a constructive approach and a spirit of cooperation and compromise, the Board would be able to overcome the difficulties that had arisen and reach a consensus solution on the budget question.

ADOPTION OF THE AGENDA (IDB.21/1 and Add.1; IDB.21/CRP.8)

7. **The PRESIDENT** said that the provisional agenda (IDB.21/1) was based on that adopted by the Board in decision IDB.20/Dec.11 (see document GC.8/3). In addition, it included an item 4 (j) on implications of the euro for UNIDO, referred to the Board by the Programme and Budget Committee at its fifteenth session, and an item on the financing of the integrated technical cooperation programmes in developing countries (item 6), included at the request of the Group of 77 and China in accordance with rules 11 and 12 of the rules of procedure.

8. *The provisional agenda (IDB.21/1) was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

9. **Mr. MAGARIÑOS** (Director-General) said that he hoped that the twenty-first session of the Board would prove a turning point—a time when Member States focused on the financial support required for future programming and, instead of worrying about UNIDO's immediate prospects, could again consider its medium- and long-term role in the field of sustainable development.

10. The Business Plan on the Future Role and Functions of UNIDO, adopted by the General Conference at its seventh session, established the basis for the survival of the Organization. For its implementation, a three-phase approach was envisaged: financial, personnel, administrative and structural reform; the development of 16 service modules; and the formulation of a set of demand-oriented country programmes. The operationalization of the integrated country programmes still remained to be developed.

11. By the end of 1999, some 40 integrated country programmes would have been prepared, reflecting an unprecedented single-minded effort to provide a new approach to technical cooperation with built-in value-for-money guarantees. Twenty-five of those programmes, with a total value of US$ 165 million, were ready, and seven already operational. In line with the Business Plan priorities, fifteen were for African countries. A third of the programmes involved least developed countries; all but one of the programmes covered the agro-industry sector, and all but two were concerned with environmental matters. Fifteen to seventeen per cent related to small and medium-sized enterprise (SME) development, enhancement of quality and improvement of the environment. It was now up to the Member States, working with the Secretariat, to mobilize the necessary funds.

12. Economic thinking was changing. It had already changed many times in response to the radical changes that had taken place in society during the twentieth century, and at the end of the century it would have to change again to meet the challenges of globalization, global governance and information technologies. The new focus of development economics was on underdevelopment and the disequilibrium suffered by most developing countries—particularly the causes of their poverty. The number of people below a poverty line of $4 a day had risen between 1989 and the mid-1990s by 133 million. In 60 developing countries, personal consumption had been declining by 1 per cent a year. Sixty per cent of the world's population lacked basic sanitation, 25 per cent lacked adequate housing and 20 per cent were undernourished.

13. The solution was to bring about sustainable employment throughout the developing world. It had now been agreed that inflation control and free market regimes were a prerequisite for development. In the future, the focus should be on employment and benefit distribution. UNIDO should play an active part, but that would mean developing the links between innovation, technology, sustainable industrial employment and sustainable employment in other sectors.

14. Industry was intimately involved in the economic structure of underdevelopment—from the scarcity of investment capital to the underutilization of resources and the phenomena confining most developing countries to the primary sector. Even in a country such as Ghana, which had adopted orthodox development prescriptions and created a liberal economy, manufacturing had not taken off and foreign investment had not responded adequately.

15. The recent decision by the Group of Seven and Russia to cut billions of dollars from the debt burdens of the world's poorest countries would enable them to correct their chronic under-investment in social and economic programmes and remove a major obstacle to their development of a private industrial sector. The decision of the same group of countries that the Interim Committee of the International Monetary Fund (IMF) should become an International Economic and Financial Committee with a membership including emerging market nations also represented a major step.

16. More, however, was needed than mere restructuring of the world's financial system. UNIDO, in its global forum function, should isolate the various factors with an influence on industry and develop feasible strategies to allow Governments, industry and the multilateral system to provide remedies. It could thus play its role in global

governance. Member States also had a part to play, both in the policy-making organs and through active participation in forums and seminars arranged by the Secretariat. The Secretariat itself needed to pursue a variety of mechanisms that would enhance the Organization's global forum function.

17. He would like to seek views on the major theme for the global forum for the next two years, namely the nature of the next industrial development paradigm. By directing UNIDO along that path, Member States would demonstrate their faith in the need for good industrial governance as a fundamental of development. Such a step would call for new levels of capability in global analysis, strategy and policy development. Member States would need to make UNIDO their instrument for helping developing countries and those in transition to participate in the new paradigm, and ensure that UNIDO became what some developing countries had always wished it to be: the centre of excellence and the first port of call for advice. In that connection, he proposed to revitalize UNIDO's research function; research would underpin all the global forum activities.

18. UNIDO was first and foremost, and would remain, a "doing" organization, enhancing industrial practice to raise standards of living. But there was still a need for critical reflection on what one was doing. Research was a stimulus to action and a defence against pseudo-scientific opinion exemplified by statements that services, not industry, generated employment, that industrial development could be left entirely to market forces and that industrial imports from the South destroyed jobs in the North.

19. The pace and scope of change at the present time resulted in a tendency to focus on short-term issues, at the expense of long-term goals. However, it was difficult, if not impossible, to build the future without a modicum of stability and assurance. He therefore urged Member States to support the Secretariat both by contributing to the substantive debates and by making the necessary resources available. UNIDO was at a critical juncture in its transformation process. Member States and the Secretariat had worked hard in the previous two years to re-engineer the Organization and prepare it for the future. Without adequate funding, specifically for the integrated technical cooperation programmes, all that work would have been in vain.

PRESENTATIONS

20. **Mr. MAIZZA NETO** (Director, Executive Office) gave an audio-visual presentation on the operation of the integrated technical cooperation programmes.

21. **Ms. SANCHEZ OSUNA, Mr. EISA, Mr. GOONATILAKE, Ms. FUJINO and Mr. PRUIM** (Secretariat) provided information on programming missions to Guatemala, Mozambique, Sri Lanka, Rwanda and the United Republic of Tanzania.

ORGANIZATION OF WORK

22. **The PRESIDENT** proposed that the Board once again decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings where substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no member of the Board objected. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

23. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1998 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.21/10, IDB.21/11, IDB.21/12)

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.21/14)

(a) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999 (IDB.21/9, IDB.21/11, IDB.21/12)

(b) PROGRAMME AND BUDGETS, 2000-2001 (IDB.21/7; IDB.21/CRP.6)

(c) MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003 (IDB.21/13; IDB.21/CRP.7)

(d) SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES (IDB.21/3)

(e) WORKING CAPITAL FUND FOR THE BIENNIUM 2000-2001 (IDB.21/2)

(f) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (IDB.21/8)

(g) FINANCIAL SITUATION OF UNIDO (IDB.21/4; IDB.21/CRP.1, CRP.5)

(h) COST-SHARING ISSUES WITH VIC-BASED ORGANIZATIONS (IDB.21/5)

(i) PROPOSALS FOR THE APPOINTMENT OF AN EXTERNAL AUDITOR (IDB.21/6; PBC.15/CRP.2)

(j) IMPLICATIONS OF THE EURO FOR UNIDO (IDB.21/29)

PROGRAMMATIC REVIEW, INCLUDING SYSTEM-WIDE ISSUES (IDB.21/15, IDB.21/18 and Add.1, IDB.21/20, IDB.21/21, IDB.21/23, IDB.21/26 and Corr.1, IDB.21/27; IDB.21/CRP.7)

FINANCING OF THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES (IDB.21/17; IDB.21/CRP.4)

24. **Mr. TIWARI** (India), speaking on behalf of the Group of 77 and China, said that the Group had noted from the Annual Report of UNIDO for 1998 (IDB.21/10) that that year had one of the lowest project output showings in the recent past. That poor performance was not unrelated to the restructuring and the decline in voluntary contributions, but it was to be hoped that the trend would be reversed and that more voluntary funding would be found. The Group urged the donor community to recognize that, having undergone the painful and unprecedented transformation required of it, the Organization now needed voluntary funding to enable development projects to go ahead. Noting that the Annual Report contained some duplication of information, the Group called upon the Secretariat to review its format so as to make it more user-friendly.

25. On the report of the Programme and Budget Committee, the Group hoped that the consultations currently under way would result in the recommendation of a zero real growth budget for approval by the eighth session of the General Conference. In that connection, it called upon all Member States to pay their arrears and their assessed contributions in full and on time. In order for the Organization to be viable, adequate financial resources must be provided, and any further reduction in its budget would have a serious impact on its ability to provide the services outlined in the budget proposal submitted to the Programme and Budget Committee by the Director-General, which the Group supported and which, indeed, had to some extent fallen short of its expectations. Future budgets should be elaborated according to a programmatic approach, focusing on the activities to be implemented, rather than on the budget ceiling. As to the appointment of an External Auditor, it would be consistent with the principle of geographical rotation for the next External Auditor to be from a country belonging to the Group of 77 and China.

26. With regard to the "Programmatic review, including system-wide issues" (agenda item 5), the Group noted with satisfaction the Director-General's implementation of General Conference resolution GC.7/Res.1 on the policy framework of UNIDO and the Business Plan. In that connection, it again noted some duplication in the reporting of implementation on a country basis. It called upon all Member States and the donor community to participate actively in the Conference on Industrial Partnership and Investment in Africa to be held in Dakar, Senegal, on 20 and 21 October 1999.

27. Agenda item 6, "Financing of the integrated technical cooperation programmes in developing countries", had been included on the agenda at the instance of the Group of 77 and China. There had been a steady decline in voluntary contributions to the programmes, and only six per cent of the budget was earmarked for technical cooperation. The Group therefore urged the Board and Member States to support the establishment of an open-ended, ad hoc informal working group to study all aspects of that issue, as called for in a draft resolution being submitted for consideration at the current session. The Group also noted the Director-General's report on preparations for the eighth session of the General Conference and the new innovative format for the Conference proposed therein.

28. The Group of 77 and China stressed the need for the Organization to apply the principle of equitable geographical distribution in personnel policy, particularly at the Professional level, and also strongly supported gender balance at all levels of the Secretariat, and particularly at Director level, consistent with the practice of other organizations of the United Nations system. It was satisfied with the progress made with regard to field representation, but called upon the Secretariat to coordinate closely with Member States with regard to the establishment of subregional offices, on the basis of objective criteria and an agreed ost-sharing ratio. It

welcomed the assurances from the Secretariat that consultations with Member States on that question would continue.

29. Lastly, he wished to express the Group's gratitude to the Director-General for providing it with two staff members, office premises and logistic support. The Group of 77 (G-77) Vienna Chapter now had its own home page, directly linked to the Group's New York website and regularly updated. The Vienna Chapter was the first G-77 Chapter after New York to have its own website.

30. **Ms. ALEMAYEHU** (Observer for Ethiopia), speaking on behalf of the African Group, expressed the Group's concern that the Programme and Budget Committee at its fifteenth session had been unable to decide on the programme and budgets proposed by the Director-General for the biennium 2000-2001. The Group considered that the preparation of UNIDO's budget should start with a thorough evaluation of the programmes and that the financial resources required to implement them, reflecting the priorities defined by Member States, should then be determined. However, the debate had focused on the options of zero real growth and zero nominal growth ceilings, which had prevented the budget recommendations from being adopted. Further savings on the UNIDO budget might impair the Organization's activities. The African Group therefore hoped that the consultations under way would ensure that the Organization was provided with sufficient resources to fulfil its mandate. The African Group firmly believed that a decision should be taken on the programme and budgets for the 2000-2001 biennium at the current session of the Board.

31. Turning to agenda item 5, she said that the African Group had examined with keen interest the Director-General's report on the implementation of the Business Plan in Africa (IDB.21/18). The priorities and needs of the African countries as identified in the Plan of Action for the Alliance for Africa's Industrialization and the United Nations Development Framework (UNDAF) should remain UNIDO's guiding principles.

32. The Government of Senegal had indicated its readiness to host the Conference on Industrial Partnerships and Investment in Africa at Dakar on 20-21 October 1999, in conjunction with the fourteenth meeting of the Conference of African Ministries of Industry. That Conference would address issues of concern on industrialization in Africa and mobilize resources for financing technical cooperation programmes. The African Group therefore called upon all Member States and donor countries and the communities of businessmen to participate actively in the Conference.

33. Regarding agenda item 6 ("Financing of the integrated technical cooperation programmes in developing countries"), the Group had been following with great interest the efforts to develop the integrated programmes which had started in September 1998. It was expected that by the end of 1999 a total of 27 integrated programmes for Africa would be finalized but the Group was concerned that, without further efforts to mobilize funds, the programmes would remain laudable ideas on paper. There had already been a decline in voluntary contributions to the Industrial Development Fund (IDF), and funds for technical cooperation were insufficient to finance the integrated programmes, which were valued at over $50 million, compared with available resources of some $5 million. Since the technical cooperation programmes would make an immense contribution to the industrialization efforts of the African countries, all possible avenues should be explored to ensure the availability of adequate financial resources for technical cooperation. The Group supported the establishment of an ad hoc working group to address that matter.

34. On the question of field representation, she said that the Group was convinced that effective and well-staffed field offices were essential to the industrialization process in Africa. However, flexibility was required in addressing the question of establishing field offices in some countries on the basis of a 100 per cent contribution to coverage of local costs by host countries.

35. The Group called upon the Director-General to consider the possibility of increasing the numbers of both regional and country UNIDO offices.

36. **Mr. BORCHARD** (Germany), speaking on behalf of the European Union, together with Bulgaria, Cyprus, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia, congratulated the Director-General and his staff on their enduring commitment to a substantial reform of the Organization. The Annual Report for 1998 showed that UNIDO was beginning to make an important and positive impact on the lives of people in the developing world. The European Union recognized those developments and the effective implementation of the Business Plan.

37. The Union was glad to note that UNIDO had strengthened its cooperation with other United Nations bodies and that memoranda of understanding had been signed with the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) and the United Nations Conference on Trade and Development (UNCTAD). A progress report on implementation of those agreements would be welcome. The

Union also appreciated UNIDO's active involvement in the UNDAF process under which UNIDO representatives in the field would serve as focal points. UNIDO should present an assessment of the UNDAF pilot project. The Union encouraged the Organization to strengthen its efforts for integration into the growing network of "UN Houses".

38. The development of service modules was an important step in implementation of the Business Plan. Such modules would act as components of future projects and programmes tailored to specific country needs. The Union was confident that experience gained in the implementation of the six integrated programmes would be reflected in the ongoing review and development process.

39. The successful implementation of integrated programmes depended on substantial voluntary funding, which the Union hoped would be forthcoming. Success also depended on the real commitment of recipient countries to contributing to the positive outcome of such programmes. The European Union supported UNIDO's intention to attract financing, *inter alia*, from UNDP and the private sector.

40. The Union's position regarding the draft programme and budgets for the biennium 2000-2001 was unchanged. It noted conclusion 99/4 of the Programme and Budget Committee, adopted by consensus, and reiterated the wish that the budget be approved by consensus.

41. The European Union looked forward to a further deliberation of its proposal that the budget and the accounting system be based solely on the euro, starting from 1 January 2002. It was hoped that a common approach would be found at the current session of the Board on the next steps to be taken, so that the General Conference could take the relevant decision in time.

42. The Union could not fail to stress that the Organization continued to suffer from the failure of its Member States to pay their assessed contributions in full and on time. At the end of 1998, UNIDO had received only 82.6 per cent of annual assessed contributions, while arrears stood at $106 million. All Member States, former and present, should pay their arrears and assessed contributions promptly, in full and unconditionally. UNIDO could attain significant financial flexibility by implementing 100 per cent of a budget if assessed contributions were paid in full and on time.

43. On field representation, the Union welcomed the continued efforts towards effective decentralization of financial and human resources to the field, the redefinition of field offices and the delegation of administrative and financial authority. Efficient field offices were important in fostering contacts with partners in recipient countries and with other bilateral and multilateral partners, especially when financial support was sought for new integrated programmes. That would enable potential donors to follow the development programmes and would help to enhance coordination and cooperation between them.

44. The European Union noted UNIDO's commitment to designing and using performance indicators, which would be an important tool for improving UNIDO's performance.

45. With respect to administrative matters, the Union welcomed the identification of a gender focal point within UNIDO to deal with gender mainstreaming in operational activities and the gender balance in the Secretariat. It was gratifying to note that action was being taken with regard to the under-representation of women at the senior levels of the Organization. The Director-General should explain what steps were currently being taken.

46. The European Union assured the Board of its active commitment to the Organization. It appreciated the efforts made by the Director-General and his staff, as a result of which UNIDO could play an important role in overcoming development obstacles and in the integration of developing countries into global economy processes. All Member States should continue to support UNIDO and work towards ensuring its increasing effectiveness.

47. **Mr. IKEDA** (Japan), referring to the budget for the next biennium, said that his country's basic position on the budgets of all organizations within the United Nations system was in favour of a zero nominal growth budget. Further savings by UNIDO, as agreed at the last session of the Programme and Budget Committee, were thus essential. In relation to the regular budget, a substantial amount of the budget remained unutilized owing to the loss of revenue resulting from outstanding assessed contributions. The amount of unutilized funds had risen from $8.7 million in 1992-1993 to $37.8 million in 1996-1997, representing ten times the recosting amount from the 1998-1999 budget to the 2000-2001 budget, or the difference between the zero nominal growth budget and the zero real growth budget. It was thus regrettable that the recommendations of the open-ended discussion group on timely payment of assessed contributions had generated a mere $3.4 million out of the $30 million outstanding. The time had come to take due account, when determining the allocation of resources for the implementation of projects, of the extent to which Member States had paid their assessed contributions. In that regard, the Russian Federation was to be commended for recently paying in

full its outstanding assessed contributions for 1997 and for part of 1998. Other Member States that had not yet paid their assessed contributions should do so without further delay.

48. The Government of Japan welcomed the efforts made by the Secretariat in preparing the integrated programmes on the basis of the Business Plan. His Government's basic position on the integrated programmes was that, following the programmatic reform, the top priority was to raise funding for the integrated programmes and implement them. Funding such large programmes was no easy task, and a realistic methodology must be found. One possibility would be a co-funding system among interested donor countries. Further consultations were needed in that regard.

49. His Government accorded particular importance to the industrial development of small and medium-sized enterprises in Africa, and had been consulting with the Secretariat with regard to the possible funding of certain components of integrated programmes. Having carefully studied the programmes proposed by the Secretariat, the Government of Japan was now arranging for several million dollars in funding for integrated programmes in African countries to be made available by a Japanese trust fund for the development of small and medium-sized enterprises. Those projects incorporated both multilateral organizational cooperation by UNIDO and bilateral assistance from Japan.

50. On the initiative of the delegation of Japan, the Board had called for collective dialogue between Member States and the Secretariat on programmatic issues (see decision IDB.19/Dec.2 in document GC.8/2). The Secretariat was inviting donor countries to participate in the formulation of integrated programmes in 16 countries. That initiative would help UNIDO formulate more effective projects in consultation with the Governments concerned, taking into account the needs and intentions of donor countries. UNIDO should make every effort to formulate projects as effectively as possible by involving its field officers, embassies of donor countries in the recipient countries and bilateral aid organizations.

51. Lastly, his Government, which had hosted the Second Tokyo International Conference on African Development (TICAD II) in October 1998, intended to give strong support to the Conference on Industrial Partnership and Investment in Africa to be held in Dakar, Senegal, in October 1999, under the auspices of UNIDO, the African Development Bank (ADB), the United Nations Economic Commission for Africa (ECA) and the Organization of African Unity (OAU).

52. **Ms. FREUDENSCHUSS-REICHL** (Austria) fully associated herself with the statement made by Germany on behalf of the European Union. She thanked the Director-General for his introductory statement and shared his position regarding the importance of the current session of the Board.

53. In her view, the administrative and programmatic reforms had been completed very successfully, for which she congratulated the Director-General and his staff.

54. The more difficult task of proving the reliability of the Organization had yet to be accomplished. The decisive question would be whether the new integrated programmes would attract sufficient funding and be implemented in the field.

55. Austria would very carefully study the package of integrated programmes and would seek to bear in mind as far as possible the approach outlined by the Director-General, namely that a sufficient amount of contributions should be allocated to the general-purpose segment and that framework contributions—with geographical or thematic focus—should be considered.

56. She announced that 14.5 million Austrian schillings were budgeted by the Austrian Department for Multilateral Development Cooperation for voluntary contributions to UNIDO.

57. Austria would seek to capitalize on possibilities for bi-multilateral cooperation. She would provide further information on possible cooperation endeavours as soon as possible.

58. She hoped that the Board would give a strong sign of encouragement to UNIDO and pave the way for a successful General Conference session later in the year.

59. **Mr. AL-DIN** (Syrian Arab Republic) said that a question of particular concern to the Member States was the transformation of UNIDO in response to the Business Plan and the service modules. Reforms in the administrative field had to be supported by conditions propitious to the improvement of programme performance and to strengthening the effectiveness of the integrated programmes. He supported the Director-General's approach to that question, based on a long-term strategic vision for the development of the industrial sector in line with the needs of the countries concerned.

60. He welcomed the proposal to send a UNIDO mission to Syria in order to develop an integrated programme for the development of Syrian industry. However, it was

important to guarantee the necessary resources for the implementation of such programmes; the resources must be available before and during the formulation and implementation of the programmes.

61. The best guarantee for success of the integrated programmes lay in provision of the necessary financial resources, so that a twofold strategy had to be followed. Projects must be prepared and, and at the same time, efforts must be made to mobilize the necessary funds. It was therefore more than ever necessary that Member States pay arrears of contributions and commit themselves to paying their statutory contributions in good time.

62. His Government attached great importance to strengthening UNIDO's role and to giving it the means to perform its task. His Government was committed to cooperating with UNIDO in expanding its field of activities, and appreciated the level of cooperation between UNIDO and Syria. UNIDO's project in Syria was one of the largest in the region, but there had recently been a decline in its funding. His Government was determined to pursue the policy of developing the industrial sector in Syria in order to meet the needs of the national market and the country's export aims.

63. He noted the recent decline in the level of project approval. Particular importance should be attached to economic coordination and industrial cooperation among countries—for example, in the context of the establishment of a free trade area in the Arab region. Particular attention should be devoted to the exchange of technological information to further the development of SMEs.

64. National and regional offices of UNIDO should be strengthened so that they could play their full part, on the basis of decentralization in programming and project execution.

65. He expressed his appreciation of the work done by UNIDO's office in Beirut in recent years. His delegation was prepared to discuss with UNIDO ways and means of extending UNIDO's work in the Arab world and overcoming existing difficulties.

66. **Mr. BAN Ki-moon** (Republic of Korea), speaking on behalf of the Asian Group, said that, if the integrated programmes for the developing countries were to have a significant impact, more resources would be needed to finance them. In view of the decline in the delivery of technical cooperation and in operational budget income, the Group wished to encourage Member States to make payments on time and recommended that all should join the programme for distributing to eligible integrated programmes any interest income earned in excess of the budgetary estimates for 1999 and previous years.

67. He welcomed the Director-General's proposals for ensuring the efficient utilization of the budget for the biennium 2000-2001. Inadequate funding would immobilize the Organization's provision of assistance to developing countries. The Group believed that UNIDO should be spared any further budgetary cuts, since any further curtailment was bound to impair its functioning. The Asian Group fully supported the Director-General's current budget proposals and the principle of zero real growth.

68. In resolution GC.7/Res.3 the General Conference had emphasized the importance of the human dimension in industrial development projects, and had noted the increasing demand from developing countries for capacity-building in human resources development. The Group agreed with the view expressed in document IDB.21/23 (paragraph 8) that industrial human resources development was a subject worthy of systematic analysis and that a high-level research capacity was needed within UNIDO to specifically address policy issues. The Group suggested that some resources should be allocated to such analysis.

69. The seven integrated packages of services initiated in 1998 amounted, according to the Annual Report (IDB.21/10), to almost $30 million, around half of UNIDO's total technical cooperation in 1998. Those packages of services needed to be refined and extended to other developing regions. A concerted effort should be made to introduce sustainable integrated programmes for the Asian region and to seek adequate funding for them. In that regard, the Asian Group supported the position of the Group of 77 and China.

70. The Group welcomed the efforts of the Secretariat and the Director-General to consolidate the UNIDO field programme in line with the Business Plan. Decentralization was necessary to make the Organization more demand-oriented, bring its services closer to its clients, ensure effective programming of technical cooperation at country level and deliver technical cooperation services in timely fashion with greater impact. It was also important to eliminate internal and external overlaps and duplication of activities with those of other agencies.

71. The Board had been informed by the Secretariat that, within the existing approved 30 offices, five were earmarked for conversion to regional offices. The Group welcomed the policy of consultations with Member States

and called upon the Secretariat to coordinate its policy with Member States based on objective criteria and an agreed cost-sharing ratio.

72. The Secretariat must take into account the principle of equitable geographical distribution in UNIDO's employment procedures, in accordance with its Constitution. The Organization would thus strengthen its universal character and be better placed to face the challenges of the next century.

73. With regard to the new staff appointment policy, designed to simplify and equalize the treatment of the staff, he said that some degree of job security was still needed even though monetary employment conditions were limited by budget constraints. UNIDO should avoid converting Professional staff into administrative staff.

74. In its conclusion 99/8, the Programme and Budget Committee had recommended that the Board propose to the General Conference the appointment of an External Auditor for a period of two years from 1 July 2000. The member States of the Asian Group fully supported the candidature of Mr. Manzur Hussain, Auditor-General of Pakistan.

The meeting rose at 6.05 p.m.